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CENTRE**



CHINA
FRIEND, FOE, OR BOTH?
UK-CHINA RELATIONS IN
A POST-COVID WORLD



“WE ARE IN THE
FOOTHILLS OF A
NEW COLD WAR...
THE CONSEQUENCES OF
GETTING IT WRONG WILL BE
WORSE THAN THE IMPACT
OF WORLD WAR ONE
ON EUROPE.”

Henry Kissinger

New Economic Forum
Beijing (Nov 2019)

ABOUT THE AUTHOR



Charlie Du Cane is a writer, businessman and investor, and lived and worked in Greater China for fifteen years. A Mandarin speaker, he has travelled extensively across the region, both in his work in the shipping industry, and in a personal capacity. Whilst living in Shanghai he was involved in a charity working with migrant workers who had become homeless, and helped found a club to help make the British expatriate community more cohesive. He now lives and works in London.

CHARLIE DU CANE

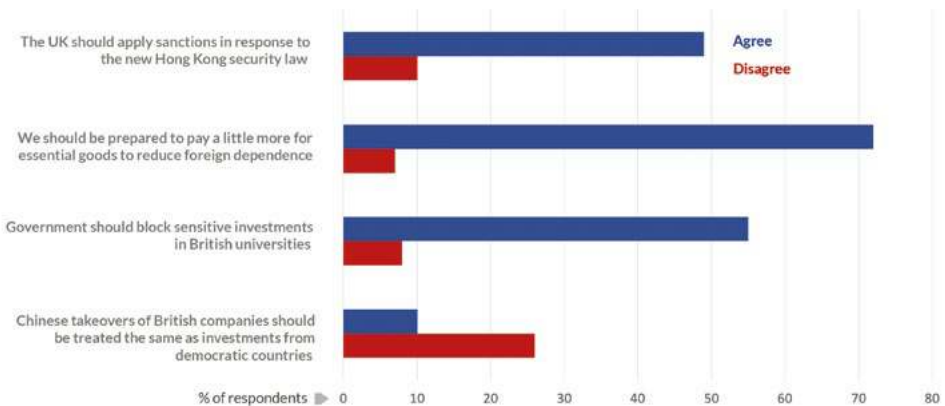
FOREWORD

The shape and nature of democratic countries' future relationship with China is maybe the most important geopolitical issue of our times. There are no easy answers.

The British public is becoming increasingly Sinosceptic (see figure¹) – maybe in response to China's curtailment of Hong Kong's promised freedoms, the Chinese origin of the COVID-19 pandemic, China's increasing foreign policy assertiveness, and our lack of emotional connection with, and understanding of, what has become the world's second largest economy.

Politically, the Labour Party has now adopted an assertive stance towards China – a reversal of the Corbyn world view that anything shaded in red was to be unquestioningly supported. The Conservative Government, struggling with divergent views within its party and its supporters, is still feeling its way towards a cohesive China policy. The latest decision to ban Huawei from the country's 5G network is a victory for the China hawks among the party's ranks and a major step towards aligning the UK with the rest of the Anglosphere in spite of potential Chinese retaliation.

THE BRITISH PUBLIC IS INCREASINGLY SCEPTICAL OF UK-CHINA RELATIONS



Source: China Research Group. Online research conducted by Populus with 2,104 respondents between 17 and 18 June 2020.

More widely, Pew research shows that the majority of people in the democratic countries surveyed prefer to see the US rather than China as the world's dominant power.

In this short paper Charlie Du Cane draws on his long experience of working in China to put forward an initial framework that could serve as a basis for constructing a future Anglo-Chinese relationship.

As with most of our RADIX papers, this is not intended to be prescriptive. Rather, we hope it can serve to stimulate a fuller discussion of what is a complex question.

Maybe most important in Charlie's framework is his call for the UK to develop a more comprehensive understanding of China in developing future relationships. Our wide-eyed, uncritical fascination with China during the Cameron government maybe reflected a lack of such a deep understanding.

The assumptions that holding China close would yield a China that would play by the global rules of engagement and encourage democratic transition have proven to be wide of the mark. We must now avoid making similar mistakes, if in the opposite direction, simply because of our continued lack of understanding of Chinese culture and its people as well as the degree of interconnectedness that we already find ourselves in.

Dr Joe Zammit-Lucia
Co-Founder, RADIX

1. For the full results please visit https://docs.google.com/document/d/1E_7opaMDfCMmFA5qZxzbOkHthK05MxakJkkR4O6_AE/edit



THE CONTEXT

On the 4th June 2020 Radix conducted a discussion on the future of UK-China relations. Participating were MPs Tom Tugendhat and Stephen Kinnock, Lord Wallace of Saltaire, Isabel Hilton and Charlie Du Cane.

The context in which this debate was held is where UK-China relations find themselves in mid-2020.

Since the chaotic days of 2012 when Xi Jinping took power in Beijing, China has become increasingly strident in its foreign policy, repressive in its domestic affairs and, in the case of Hong Kong seems to be trying to walk away from its treaty obligations.

CHINA HAS BECOME INCREASINGLY STRIDENT IN ITS FOREIGN POLICY AND REPRESSIVE IN ITS DOMESTIC AFFAIRS

This has manifested itself in a territorial hostile takeover bid in the South China Sea, the imprisoning of one million Uighurs, and a top down imposition of a National Security Law in Hong Kong. Worse for some than specific actions is the perception that they are seeking to usurp the post-war international settlement and change normative power structures to their own advantage.

Now, in 2020, the world has been plunged into a Global Pandemic, for which many blame China, and Chinese secretiveness - for its spread.

Whilst each participant brought their own experience and viewpoint to the discussion, there were several common themes that emerged.

SHOULD NAÏVE OPTIMISM GIVE WAY TO A MORE MEASURED UK-CHINA RELATIONSHIP?

First, there was a recognition that the perhaps naïve optimism of the “Golden Era” in Anglo-Chinese relations needed to give way to something more measured, recognising that we may have let them in too far to key national infrastructure projects such as the Bradwell Nuclear Power Station. The more recent banning of Huawei from the UK’s 5G infrastructure may be the start of an approach rooted in realpolitik rather than wide-eyed delusion.

Further, many concerns were raised around the challenge China represents to the rules upon which the world is currently ordered. Most pressing for the UK is Hong Kong and the squeeze that is being put upon it by Beijing as they erode the autonomy of the Special Administrative Region (SAR), in breach of the Basic Law and the Anglo-Chinese Treaty.

Here the UK is in a difficult position as outlined by Lord Wallace – the UK has responsibilities as regards Hong Kong, but it has little power. Maybe this is a comment that applies more widely to UK-China relations now that the UK cannot draw economic and diplomatic heft through membership of the European Union.

**THE UK HAS
RESPONSIBILITIES BUT
LITTLE POWER**

That said, the UK still remains a significant player on the world stage and a permanent member of the UN Security Council. Despite its chest-thumping rhetoric, China cannot easily shrug off a UK that increasingly aligns itself with Western allies in its stance towards China.

All this was balanced by a recognition that China has become a huge and integral part of the global economy. If Britain has not been particularly successful in selling to China up until now (China accounts for a mere 4% of UK exports and the UK has an overall trade deficit of some £18 billion with China), a step change in China's development has meant that Britain's offering of services, high tech, and branded goods is rapidly gaining UK businesses market share in China. The UK now has a small £3.5 billion trade surplus with China in services.

**WE NEED TO LOOK BEYOND
DIRECT UK-CHINA RELATIONS
TO COLLABORATION WITH
OTHER DEMOCRATIC
NATIONS**

It was also recognised that the scale of China means that we cannot merely talk about direct UK-China trade in understanding the importance of the relationship. One has to look beyond, and appreciate that China has become an important part of the global trading system upon which we have come to depend. UK-China relations need to be handled in close collaboration with other democratic nations.

It was also recognised that a close working relationship with China will remain necessary if we are to solve issues of common concern such as climate change, and to cooperate in emergencies as has been the case during the COVID Pandemic.

Added to this dilemma it was acknowledged that much of Britain's public discourse around China exists in a framework of ignorance, both popular and official, distorting much of the discussion.

It is in this context that I put forward some initial suggestions as to how future UK-China relations might develop.

SQUARING THE CIRCLE

Any effective framework to deal with the complex issue of future UK-China relations will need to contain three elements: standing up to China's increased assertiveness, co-operation with China on areas of mutual interest, and improving our understanding of China if we are to find a viable way forward in the longer term.

STANDING UP TO CHINA

Whilst this is not easy, especially for a mid-ranking economic power almost uniquely exposed to the global economy, the United Kingdom needs to make its voice heard more clearly in the relationship.

i) Recognising that Britain has a special responsibility towards Hong Kong, a policy that protects Hong Kong citizens by offering routes to full British citizenship is starting to emerge.

It is not clear that the UK can take any effective direct action to maintain the SAR's promised autonomy seeing that any challenge in international forums, even if successful, will likely be ignored by the Chinese leadership that considers the issue a purely internal matter.

Nevertheless, a judgment that declares China's actions as being in breach of the Anglo-Chinese Treaty, if it is, would be an important diplomatic statement.

ii) More challenging is how to deal with UK based businesses such as HSBC and Standard Chartered, that, given their commercial interests, have explicitly supported the imposition of the new security law. This is one manifestation of the significant British commercial interests in Hong Kong – particularly the City's trade with its capital markets.

While important, Hong Kong may not be indispensable and London, together with other major financial centres, could, over time, encourage shifting of capital market trading to other Asian centres such as Singapore.

iii) The British Government needs to create a proper framework setting out in detail how and to what extent Chinese entities are allowed to invest in key infrastructure projects and buy UK companies of national strategic interest. A blanket ban may be unnecessary, but clear boundaries beyond which Chinese investment is not allowed need to be established. This will avoid a repeat of the need for costly, damaging and enervating about-turns such as has recently happened with Huawei.

iv) *We need to examine further the impact of direct Chinese funding of university departments and research projects. Not only does this need to be evaluated in the context of technologically sensitive sectors, but we need to ensure that increasing dependence of our academic institutions on Chinese funding does not result in creeping self-censorship and the erosion of academic freedom.*

Our universities need to understand that their responsibilities to our society go beyond raking in as much money as possible from whoever is willing to open their chequebooks.

v) *The United Kingdom must urgently work to strengthen, build and rebuild alliances with other countries that have a vested interest in the rules based system. This should include those countries with which the UK has not heretofore had strong strategic ties, such as those that immediately surround China and are most challenged by its rise.*

COOPERATION WITH CHINA

We must also recognise that there are many fields in which our strongest response to China is by working with China as closely as we can.

i) The UK has now overtaken the US as Chinese students' preferred country for foreign study. Subject to appropriate mitigation of the risks associated with financial dependence as outlined above, we should continue to encourage Chinese undergraduate students to flow through our universities and education system. It is demonstrably the case that returning students are proving to be agents of progress on their return to China, reflecting values observed and learnt in the United Kingdom.

More caution is, however, required when it comes to postgraduate students and those whose studies, or post-study work visas, provide access to what may be sensitive UK technology.

ii) The United Kingdom needs to develop a detailed policy where it can formally work with China on areas of mutual concern. There are many precedents for this such as over Climate Change, HIV AIDS Infection and anti-Piracy work in the Indian Ocean.

We need to identify all areas of mutual concern and draw up plans for how we approach mutual cooperation.

Wherever possible this should be within the framework of international institutions, be that the UN, the WTO or even the Chinese led AIIB.

UNDERSTANDING CHINA

The United Kingdom needs to urgently correct its deficit of understanding on China in three key areas .

i) A better understanding of the UK-China economic relationship is needed, both by Government and the popular press. This would need to include an understanding of the totality of the trading relationship between China and the UK, moving beyond simplistic reviews of trade statistics.

We also need to understand the importance of the Chinese arms of certain UK companies to their overall viability and profitability, and properly understand how crucial we have allowed China to become for many of our supply chains, allowing us to take informed decisions on where that can or needs to be changed.

ii) We need to greatly increase our understanding of China and this needs to start in our schools and universities with a large increase in the offering of Chinese language or other China-related courses to British students. It should be noted that in Italy and Australia Chinese is taught in every secondary school, and America aims to produce 100,000 Chinese language graduates every year - we currently produce 1,200.

iii) At an official and mass media level there needs to be a campaign to educate the United Kingdom on what is actually happening in China, and how it is interacting with the world. Our bureaucracy is woefully under resourced when it comes to taking the long view on China and the challenge it represents to the world.

CONCLUSION

There are no easy answers to China and the challenge it poses to a developed West that has become used to a world fashioned in its own image.

For the UK - as it rebuilds post COVID, and finds its way out into the world post Brexit - China is, however, too big a topic to ignore. We urgently need a coherent plan of action, both to protect ourselves and our values, but also to take advantage of the many opportunities that China still offers.

We hope the steps above provide an initial framework for that plan.

CHINA - FRIEND, FOE, OR BOTH?

UK-China relations in A post-covid world.

Charlie Du Cane

ABOUT RADIX

RADIX is a non-aligned think tank for the radical centre. We welcome people from all parties and none. We challenge established notions and work to re-imagine our societies. We focus our efforts on policy initiatives that can drive towards system change rather than putting sticking plasters on the existing system. Our goals are to revitalize our liberal democracies, re-define capitalism, and re-build cohesive communities and societies. We want all citizens to live securely, with dignity, be active participants in society, and be free to pursue their own interpretation of the good life.

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